

FY 2023/24 Proposed Budget

June 6, 2023

Budget Overview

- Proposed Budget “holds the line”; meaning no significant changes to service delivery
- Budget provides time for the new City Manager to evaluate service levels compared to staffing levels, long term capital needs, short/mid term trends of overall revenue growth versus expense growth; develop strategies for council consideration

General Fund

- City's major operating fund
- Balanced with use of some one-time funding
- Requires time for process and policy to be evaluated
 - Use of technology
 - Overall operating efficiencies
 - Type and number of new staff required to sustain service delivery and ongoing operations

General Fund

- Major cost of any municipal agency including Clayton is salaries and benefits
- Operating services and supplies are at minimum levels; additional time is required for new City Manager to evaluate if/where any additional efficiencies can be achieved or increases need to occur
- Reserves are healthy and can most likely sustain any strategic use to bridge small funding gaps in the coming years while other options are evaluated.

General Fund

- Operating Revenue and Transfers: \$5.695 Million
- Operating Appropriations and Transfers : \$5.724Million
- Net Deficit is (\$28K) before supplemental budget changes; \$7K surplus after supplemental budget changes

General Fund

- **Revenues**

- Property Tax (all forms) continues to grow at recent historical rates of approximately 5%.
- Sales and Use Tax continues to see small annual growth of approximately 2%
- Business Licenses continue to be flat year over year
- Permits and Fee revenue are increasing due to a change in the Master Fee Schedule; approximately \$36K increase in FY 2023/24 (actual level will depend on usage and negotiated agreements)
- Interest will see an approximate \$47K growth in FY 2023/24; caution using interest income to balance budgets long-term as the shift in interest rates and unrealized losses can make be volatile
- Remaining other revenue and transfers from other funds are generally flat

General Fund

- **Appropriations and Transfers**

- Salaries and benefits are the majority of operating expenses ; people are the one's who deliver service to the community
- Service and Supply costs such as insurance costs (liability), fuel and energy costs, as well as normal service cost inflation are not fully in City control but are increasing throughout all budgets.
- City Manager has requested \$40K in professional services budget to allow for potential technology projects in the coming 12 months; may not be enough for all projects, will come back to council when additional funding is needed

General Fund

- To improve retention and recruitment of certain positions; proposed salary adjustments are being requested for:
 - Finance Director
 - Community Development Director
 - Police Chief
 - Executive Assistant to the City Manager/HR Manager
- Cost are reflected in the proposed budget

General Fund

- Major Items not currently within budget
 - Unrepresented employee contract is still being negotiated.
 - Facility Maintenance Plan to address deferred maintenance issues (not addressed by proposed Climatec project)
 - Long Term Capital Needs (Roads-one example)
 - Technology Improvements (ongoing costs) inclusive of but not limited to website redesign, agenda management software, facility rental software, permit software, record retention software, community self service app development (example See Click Fix)

General Fund

- Other issues to be discussed at a later date which may have a financial impact:
 - Organizational Assessment Results/Next Steps
 - Reserve Fund Policy
 - Purchasing Policy
 - Capital Asset Policy
 - Special Event Policy
 - Citywide Economic Development Plan

General Fund

- **Staff Recommendations**

- City Manager is requesting no additional appropriation reductions to allow time throughout FY 2023/24 to evaluate efficiencies, contract and procurement, operating levels, technology needs etc.
- City Manager is recommending the use of the pension reserve fund to balance the remainder of the FY 2023/24 budget.
 - Use approx. \$125K from Fund 503-Pension to offset General Fund pension costs(currently within proposed budget)
 - Use funds from Fund 110- Rainy Day Fund (approx. \$68K remaining) to offset potential costs related to the unrepresented MOU (come back to council once agreement finalized)

Non-General Fund

Other Funds

Non-General Fund

- **Pandemic Relief Fund**

- Reminder- is fully discretionary funding
- Current fund balance is approx. \$1.57 million; estimated to be approx. \$1.3-1.4 million after current approved spending is completed
- Opportunities for future strategic use; gap funding for operations, technology projects, one-time needs etc.

Non-General Fund

- Many of the District related funds are structurally imbalanced; requiring further discussion on service levels and future assessment levels
- Reviewing funds that have potential and future funding issues

Non-General Fund

- **Gas Tax**

- Gas Tax has fund balance at this time (approx. \$292K); use to help other funds will drain on further uses for roads and related projects

- **RMRA**

- Similar issues and concern as Gas Tax

Non-General Fund

- **Lighting and Maintenance District**
 - Historical deficit spending over the past few years
 - Reached a point where fund balance is estimated to be near zero at the end of FY 2023/24
 - Future discussions on service levels/tax increases will be required

Non-General Fund

- **Street Lighting**

- Reached a point where fund balance is estimated to be near zero at the end of FY 2023/24
- Only balanced due to transfer from Gas Tax for FY 2023/24
- Future discussions on service levels will be required

Non-General Fund

- **Stormwater Fund**

- Reached a point where fund balance is estimated to be near zero at the end of FY 2023/24
- Only balanced due to transfer from Gas Tax for FY 2023/24
- Future discussions on service levels will be required

Non-General Fund

- **Capital Improvement Fund**

- The comprehensive CIP will be presented on June 13 to the Planning Commission and June 20th to City Council
- Further discussion will occur during those agenda dates

- **Other Funds**

- Funds such as Capital Replacement and Endeavor Hall need to have fund balance programmed as part of the reserve fund policy discussion.

Non-General Fund

Questions